

BEFORE THE  
UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

COMPETITIVE PRODUCT PRICES  
INBOUND EMS 2  
(MC2009-10)

Docket No. CP2018-287

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE NOTICE OF FILING CHANGES IN RATES  
NOT OF GENERAL APPLICABILITY FOR INBOUND EMS 2

(August 21, 2018)

I. BACKGROUND

The Public Representative hereby provides comments pursuant to Order No. 4759.<sup>1</sup> In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's filing requesting changes in rates not of general applicability for Inbound EMS 2. The Public Representative hereby comments on the Notice<sup>2</sup> filed by the Postal Service.

Included with the Postal Service's filing are Governors' Decision No. 11-6, the proposed new rates, service performance data, and supporting documents establishing compliance with 39 U.S.C. § 3633(a)(2) filed under seal in unredacted form. Additionally, the Postal Service's Application for Non-public Treatment is included as Attachment 1. A redacted version of the new rates is included as Attachment 2. The certified statement required by 39 C.F.R. § 3015.5(c)(2) is included as Attachment 3. A redacted copy of Governors' Decision No. 11-6 is included as Attachment 4. Also

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<sup>1</sup> Order No. 4759 - Notice and Order Concerning Changes in Rates for Inbound EMS 2, August 14, 2018.

<sup>2</sup> Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound EMS 2, August 13, 2018 (Notice).

included are redacted copies of the most recent annual EMS Pay-for-Performance (“PfP”) Plan available (for 2017), plus the most recent available annual and quarterly PfP Report Cards (for CY2017 and for the first two quarters of CY2018).

The Postal Service’s financial analysis computes the cost coverage using both the inbound EMS base rates and the lowest possible discounted inbound EMS rates that the Postal Service may offer on a contractual basis, to any of the foreign postal operators with which it exchanges EMS. *Id.* at 3.

## II. COMMENTS

*Requirements of 39 U.S.C. § 3633.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service’s competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

The Postal Service presents two cost coverage calculations to demonstrate compliance with 39 U.S.C. § 3633(a). It calculates a minimum and a maximum cost coverage for Inbound EMS 2. The maximum cost coverage calculation provides a cost coverage estimate with all countries paying the undiscounted base rate.

The minimum cost coverage calculation assumes that every postal administration pays the lowest possible discounted rate. However, it also implicitly assumes that it will not be penalized for missing PfP targets. Therefore, it may not represent the lowest possible cost coverage, as penalties could further reduce revenue.

Nonetheless, the Public Representative finds that the new rates for Inbound EMS 2 should generate sufficient revenues to cover cost. Based on the Postal Service’s past performance, it is unlikely that penalties would reduce the cost coverage below what is permissible under 39 U.S.C. § 3633(a).

The Public Representative, after reviewing all materials the Postal Service submitted under seal in this matter, recommends that the Commission approve the change in rates for the Inbound EMS 2 product.

The Public Representative submits the preceding comments for the Commission's consideration.

Respectfully,

/s/ \_\_\_\_\_

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